

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Thursday, December 19, 1996, 9:00 a.m.

UAC Offices

4021 South 700 East, Suite 180, Salt Lake City

A G E N D A

9:00	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of October 24, and December 5, 1996, Minutes	Gary Herbert
	Annual Membership Meeting Report	Gerald Hess
	Director's Report	Brett Rich
	Broker's Report	
12:00	Lunch Break	
	Summary of Loss Prevention Activities	David Nelson
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	1997 Meeting Schedule	Gary Herbert
	Appoint New Board Members	Gary Herbert
1:00	Adjourn	

4021 South 700 East, Suite 180
Salt Lake City, Utah 84107



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UAC INSURANCE MUTUAL MINUTES, BOARD OF TRUSTEES MEETING

December 19, 1996, 9:00 a.m.
UAC Offices, Salt Lake City, Utah

Board Members Present:

Gary Herbert, *President*, Utah County Commissioner
Gerald Hess, *Vice President*, Davis County Deputy Attorney
Sid Groll, *Comptroller*, Cache County Sheriff
Ken Brown, Rich County Commissioner
Ty Lewis, San Juan County Commissioner
Monte Munns, Box Elder County Assessor-Treasurer
Gary Sullivan, Beaver County Commissioner

Board Members Absent:

Robert Gardner, *Secretary*, Iron County Commissioner
Curtis Dastrup, Duchesne County Commissioner

Others Present:

Brent Gardner, UAC Executive Director
Brett Rich, Director, UACIM
Sonya White, UACIM Administrative Assistant
Doug Alexander, Aon Claims Manager
John Chino, GRMS Account Executive

CALL TO ORDER

Gary Herbert requested that Gerald Hess chair this meeting until his arrival. Gerald called the meeting to order and welcomed those in attendance.

REVIEW OF BOARD MEMBERS ABSENT

Robert Gardner phoned the UAC office yesterday requesting that he be excused from the meeting today due to a family illness. Curtis Dastrup did not contact the UACIM staff as to why he would not be attending today. Ty Lewis made a motion to excuse Robert from the meeting today. Sid Groll seconded the motion and the motion passed unanimously.

APPROVAL OF OCTOBER 24, and DECEMBER 5, 1996, MINUTES

The minutes from the October 24, 1996, Board of Trustees meeting and the December 5, 1996, Board of Trustees teleconference were previously sent to the Board Members for review. Ty Lewis made a motion to approve the October 24th minutes as written. Ken Brown seconded the motion and the motion passed unanimously. Gary Sullivan made a motion to approve the December 5th minutes as written. Sid Groll seconded the motion and the motion passed unanimously.

ANNUAL MEMBERSHIP MEETING REPORT

The Annual UACIM Membership Meeting was held on November 13, 1996, at the St. George Holiday Inn. The Board Members discussed highlights of the meeting such as the member approval of an additional \$1 million in excess liability coverage, the option of additional DIC coverage for interested member counties and the election of Monte Munns as a Board Member.

DIRECTOR'S REPORT

Squire & Company Contract Brett Rich reported that the accounting proposal from Squire & Company was approved by the Board on December 5, 1996. Brett received an engagement letter from Craig Wilkins of Squire and has reviewed the letter with Kent Sundberg and Gary Herbert. Brett drafted a contract in lieu of the letter and has met with Craig and Ray Bartholomew, who will also be working with our account, to discuss the transition from AON to Squire. Jess Hurtado of AON has stated in writing that AON Corporate, in their review of the contract, believes the cut-off date is December 31, 1996, and anything after that date is UACIM's responsibility. Therefore, AON will not be providing UACIM with the 1996 annual yellow blank which is due in March. The contract with Squire & Company identifies what they will charge UACIM to complete the monthly financial statements, the quarterly financial statements, the annual yellow blanks, consulting and filing fees for the term of the agreement. UACIM's agreement with AON stated: "*accounting services*" *provided during the term of the agreement*. Ty Lewis made a motion for Brett to review the contract between Squire & Company and UACIM with Bill Peters, UAC's retained attorney, and Kent Sundberg to finalize the contract for signature by the UACIM President, Gary Herbert. Gary Sullivan seconded the motion and the motion passed unanimously.

Arthur J. Gallagher & Company Contract Brett explained that the review of the contract between Arthur J. Gallagher & Company and UACIM has been a lengthy process. The services involved are quite detailed and difficult to define. Several attorneys that have worked closely with UACIM since its inception have reviewed each draft of the contract as concerns have been addressed. Brett reviewed the final draft with the Board for approval highlighting the following areas of the contract and making the following changes:

Arthur J. Gallagher & Company shall be known as Gallagher Risk Management Services (GRMS) due to the type of service they are providing UACIM.

Section III.B.4. Brett explained that the language in this section of the agreement, regarding fees, commissions and disclosure has been approved by the attorneys and Gallagher Corporate requiring disclosure only prior to placement. John Chino explained that a number of GRMS's accounts have the same disclosure requirements which annually (90 days after the renewal) the client is provided with a letter calculating all the commissions earned by any Gallagher division (they are aware of) with attachments from the insurance carriers verifying that the commissions stated are correct. Gallagher also notifies the client prior to any placement with a carrier. This service is not stated in the agreement but is understood. With record of this meeting, the Board will expect the same service from GRMS.

Section III.C.4. ... ~~then current Member~~ county in the State of Utah

Section III.C.4. Change iii's to abc's

Section III.C.10. This Agreement and the Exhibits...

Exhibit B.7. Board of Directors ~~Trustees~~

Gary Sullivan made a motion to approve the execution of the contract, pursuant to the discussed changes, between GRMS and UACIM. Gerald Hess seconded the motion and motion passed unanimously.

D&O and E&O Policy Pursuant to the November 13, 1996, Board meeting, Brett explained that AON has submitted a renewal quote for D&O E&O coverage but has yet to address the items requested by the Board in writing. Verbally AON has indicated that the employees of UACIM are and have been covered under the Pacific Insurance policy. AON's renewal quote through Pacific Insurance Company is approximately \$13,000 for \$1 million per occurrence, \$2 million aggregate and a \$5,000 deductible. GRMS has submitted a quote through Executive Risk Insurance Company of \$6,000 for \$1 million per occurrence, \$1 million aggregate, \$20,000 deductible and coverage included for UAC. Another entity administered by UAC is MCAT (Multi County Appraisal Trust). Brett will research if coverage may also be provided for MCAT. Trustees sitting on the UACIM and UAC Boards are covered under this D&O E&O policy as well as being covered under their public official policy through their individual counties. Ty Lewis made a motion to approve the Executive Risk program for D&O and E&O coverage based on; 1) coverage extended to UAC as well as UACIM, 2) the minute chance of a claim exceeding \$1 million, and 3) the cushion of the coverage members have with their counties. Ken Brown seconded the motion and the motion passed unanimously.

McLarens Toplis Contract Brett reviewed a copy of the contract with the Board. The following changes were made:

Section 1C. ...Discretionary Settlement Authority Limit of ~~\$25,000~~.

Section 1E. McLarens Toplis must ~~notify the client~~ ~~receive Board approval~~ prior to issuing any checks, the total of which, ~~individually~~, reaches or exceeds \$25,000 ~~on any one claim~~.

Section 1H. ~~Claims Committee~~ ~~Litigation Management Committee~~.

Section 2A. ~~Prompt~~ Referral of all claims or losses that fall within the terms of this Agreement ~~in a reasonable time under the circumstances~~.

Section 3A. Unless notice to the contrary is received by either party at least sixty (60) days prior to the ~~expiration date~~ ~~contract period~~ set forth above...

Section 3A. This automatic renewal provision will incorporate the same terms and conditions of this Agreement except for those terms which shall be agreed upon ~~prior to the sixty day notification~~ with respect to McLarens Toplis remuneration.

Section 3B.1. ...such handling not to result in any expense ~~or reduction in contract revenue to McLarens Toplis~~ during the remaining term of the contract.

Gerald Hess made a motion to approve the execution of the contract, pursuant to the discussed changes, between McLarens Toplis and UACIM. Gary Sullivan seconded the motion and the motion passed unanimously.

Auto Physical Damage Deductible Brett explained that the new excess carrier, Great American, has a \$500 deductible on auto physical damage claims. The Board of Trustees adopted a joint policy statement on March 9, 1995, effective May 1, 1995, increasing the amount of this deductible to \$1,000.00. The Board agreed to maintain the auto physical damage deductible at \$1,000.

Annual Audit Brett explained that UACIM spent \$15,900 for Coopers & Lybrand to perform the annual audit for 1995. Squire & Company would like to give the Board a quote to perform the annual audit for 1996. Brett recommended that the Board should continue to have Coopers & Lybrand perform the actuarial services for UACIM but consider Squire & Company for the audit if their quote is lower than \$15,900. Brent Gardner explained that UAC's accounting firm performs their annual audit as well as all financial services—the two areas are kept separate. Sid Groll made a motion to hire Squire & Company for the annual audit if they are able to offer UACIM a substantial savings and can specifically outline the separation between accounting and auditing. Monte Munns seconded the motion and the motion passed unanimously.

Actuarial Services Brett explained that the Board must appoint an individual actuary, Coopers and Lybrand is not an individual. The individual that has been appointed as the actuary for UACIM is Ron Swanston of Coopers and Lybrand. Ron is no longer employed by Coopers, therefore, Coopers now recommends John Kryczka (who has worked with Ron on this account) as the actuary for UACIM. Coopers proposes to provide actuarial services for 1996 year end, at a cost of \$7,500 plus expenses. Gerald made a motion to appoint John Kryczka of Coopers and Lybrand as the actuary of UACIM. Monte Munns seconded the motion and the motion passed unanimously.

Losses Brett explained that AON has completed a revised spread sheet to correct the loss history errors which occurred prior to October 1994, when the UACIM was mistakenly set up on a claims made basis. Brett prepared charts showing loss trends, based on the corrected information. Based on the new information, the first chart compared the total incurred losses by year at 11 months progression. The corrections changed this chart considerably for 1993 and 1994. The second chart compared the total incurred losses by year at 23 months progression. Due to governmental immunity, the best indicator of a total fund year losses is the 24 month progression absent any federal civil rights claims. Brett and David Nelson will use these charts as a resource to curb loss trends. The Board directed Brett to draft a letter on behalf of the Board thanking Keri and AON for their efforts in correcting this data.

Request for Additional Excess Premium Brett explained that once the majority of the renewal questionnaires were received from the members, the exposures totaled 10% more than what was initially reported to Great American during the bidding process. Great American states that their quote was based on the information UACIM submitted, then approximately two months later they are told that exposures are significantly higher than

reported. Therefore, Great American explained to GRMS that this increase justifies a additional \$20,000 in premium. Rich Stokluska and John Chino have been negotiating with Great American who has now taken the additional requested premium down to \$7,000. The Board agreed that efforts have been made on behalf of UACIM, therefore, Ty Lewis made a motion to pay the additional \$7,000 requested by Great American as a good faith effort because the information submitted to them to bid was not accurate. Sid Groll seconded the motion and the motion passed unanimously.

The Board agreed that if the renewal information is not received on or before the due date of each year, then David Nelson will assist the county in completing and submitting the questionnaire. UACIM staff will look into purchasing a Marshall & Swift appraisal program through MCAT to assist in the property evaluations. The Board will also include this as a topic at the April Membership Meeting.

DIC Coverage Pursuant to the November 13th Membership Meeting, Brett mailed additional information and premium amounts to the 12 counties that were interested in purchasing additional DIC coverage. The premiums increased approximately 15% because not all 22 member counties wanted to participate. The Board directed Brett to arrange for the additional coverage if enough of the 12 interested counties want the coverage.

BROKER'S REPORT

Regarding D&O coverage, John Chino clarified that the Executive Risk policy covers employees, volunteers, Board Officers and Directors of UACIM and UAC, any other Board that a Trustee may be involved in should be covered under your public officials insurance.

John mentioned that on January 6, 1997, on the ABC Network, the movie *Badge of Betrayal* will air. This movie is about a county sheriff who is sexually harassing his employees and terrorizing the town. John's fiancée, Linda Doucett, is the star of the movie.

SUMMARY OF LOSS PREVENTION ACTIVITIES

David Nelson requested to be excused from this meeting due to a family illness. He did prepare a written report of his past loss prevention activities for the Board Members to review. Brett Rich explained that the Loss Prevention Department continues to have problems with member counties not responding to the risk reviews conducted in their counties but feels once the credit incentive review is complete, counties may begin responding in the time requested. Brett explained that he has been talking to other states regarding their loss prevention efforts to possibly find some balance in this area. Brett will continue to work with David in this regard.

1997 MEETING SCHEDULE

Brett Rich explained that UACIM is required to publish their annual meeting schedule and the tentative schedule of the monthly Board meetings. The Board has tried to meet on the fourth Thursday of each month. The Board agreed to continue to hold the monthly meetings on the fourth Thursday of each month. If a conflict arises then the Board will change the date for that month.

APPOINTMENT OF NEW BOARD MEMBERS

Brett Rich reported that pursuant to the Board Members request on December 5th, he contacted Tony Dearden, Millard County Commissioner (who would be filling the unexpired term of Ken Brown representing the 4th, 5th, 6th class counties), and Sarah Ann Skanchy, Cache County Council Member (who would be filling the unexpired term of Robert Gardner representing the 1st, 2nd, 3rd class counties), regarding their willingness to serve on the Board of Trustees. Both Tony and Ann responded that they would be willing to serve. Therefore, Ty Lewis made a motion to appoint Tony Dearden to fill the unexpired term of Ken Brown as Board Member and Sarah Ann Skanchy to fill the unexpired term of Robert Gardner as Board Member of the UAC Insurance Mutual. Ken Brown seconded the motion and the motion passed unanimously. Ty Lewis made a motion to appoint Monte Munns as secretary of the Board of Trustees. Gary Sullivan seconded the motion and the motion passed unanimously.

SET DATE AND TIME FOR CLOSED MEETING

Gary Sullivan made a motion to set the date and time for a closed meeting to begin at 12:45 p.m. on December 19, 1996, to discuss the character, professional competence, or physical or mental health of an individual. Monte seconded the motion and the motion passed unanimously.

Ty Lewis made a motion to conclude the closed meeting. Monte Munns seconded the motion and the motion passed unanimously.

SET DATE AND TIME FOR CLOSED MEETING

Gerald Hess made a motion to set the date and time for a closed meeting to begin at 1:30 p.m. on December 19, 1996, to discuss pending or reasonably imminent litigation. Monte Munns seconded the motion and the motion passed unanimously.

Ty Lewis made a motion to conclude the closed meeting. Gerald Hess seconded the motion and the motion passed unanimously.

OTHER BUSINESS

Ty Lewis made a motion for the UACIM staff to purchase a token of appreciation for Ken Brown and Robert Gardner valued at approximately \$75.00 each. Monte Munns seconded the motion and the motion passed unanimously.

The next meeting of the Board of Trustees will be held January 23, 1997, at 1:00 in the UAC offices.

AFFIDAVIT OF GARY R. HERBERT

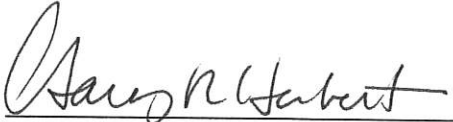
STATE OF UTAH)
)
:ss
COUNTY OF SALT LAKE)

Gary R. Herbert, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.
2. That the Affiant, on or about the 19th day of December, 1996, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.
3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.
4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.


FURTHER, Affiant saith not.

DATED this 12th day of March, 1998.


GARY R. HERBERT, President
Utah Association of Counties Insurance Mutual

On the 12th day of March 1998, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.




NOTARY PUBLIC
Residing at: Salt Lake City, Ut
My Commission Expires: 1-31-2002

**McLARENS TOPLIS NORTH AMERICA, INC.
SERVICE AGREEMENT**

Client: UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

Contract No.: 1SL96

Contract Period: 01/1/97 - 12/31/97

This Agreement is made and entered into this 12th day of November, 1996, between McLaren's Toplis North America, Inc. hereinafter referred to as "McLaren's Toplis" and Utah Association of Counties Insurance Mutual, hereinafter known as the "client."

McLaren's Toplis and the client mutually agree that McLaren's Toplis will provide claims management services in North America to the client according to the following terms and conditions:

Section I

McLaren's Toplis Claims Management Responsibilities to the Client Are:

1A.) To handle all claims and/or losses incurred or presented during the contract period. This will include the engagement of defense counsel or the production of an extension of time agreement on all litigated matters.

1B.) Adjust to conclusion, to the extent deemed necessary by McLaren's Toplis, all reported claims and/or losses. Delegate or assign specific investigation or adjusting functions to outside independent contractors wherever appropriate due to the location of the claim and/or catastrophic type losses. Claims will be adjusted or handled by the dedicated Claims Unit consisting of a Claims Manager and Clerical/Claims Assistant. The dedicated Claims Unit will be monitored and/or assisted in their handling of the claims by a McLaren's Toplis Claims Administrator. The Claims Administrator will monitor the overall claims operation and will assist the Claims Manager in the handling of large, complex claims and/or the coverage resolutions; and will make regular visits to the dedicated Claims Unit for the purposes of auditing the claims function; as well as personally being involved in the handling and adjustment of complex and/or large litigated claims; and/or attend board or committee meetings as deemed necessary. The Claims Manager will attend all board meetings and claims committee meetings.

1C.) Determine what payment, if any, should be made on the client's behalf based upon McLaren's Toplis' investigation and applicable law. McLaren's Toplis will secure the client's approval before offering any settlement which exceeds its Discretionary Settlement Authority Limit.

1D.) Coordinate and pay all Indemnity payments and Allocated Expenses that shall be incurred in the investigation, adjustment and defense of any reported claim. Allocated Expenses shall mean all costs or expenses incurred by McLaren's Toplis on the client's behalf as a result of its engaging the service of firms or persons outside McLaren's Toplis' organization for work in connection with investigation, adjustment, settlement, or legal defense, as well as McLaren's Toplis' service fees pursuant to Sections IB and IC.

1E.) McLaren's Toplis must notify the client prior to issuing any checks, the total of which, individually, reaches or exceeds \$25,000.

1F.) Establish a claim file on each reported and reserved loss. The file will be the property of the client and will be available for inspection upon McLaren's Toplis' receipt of reasonable notice.

1G.) Furnish the client with statistical or loss experience reports concerning claim reserves, payments, and status, as agreed upon, in a Loss Run at an interval of every month, beginning with the month of January, 1997. Report to be furnished to client approximately the 15th of the month following the period of the loss run.

1H.) Inform the client of all significant developments in the course of McLaren's Toplis' investigation through its Claims Committee or Board meetings.

1I.) Notify client's excess underwriter when the total reserves on any one claim equals or exceeds 50% of the client's SIR, and on cases involving fatal injuries; spinal cord injuries (paraplegia, quadriplegia), severe burns (fire, electrical, chemical, radiation); amputation of hand, arm or leg; severe eye injuries; total disability catastrophic property damage or multiple injuries and property damage, irrespective of the initial evaluation of liability or reserve level. Notification shall otherwise be subject to the requirements of client's insurance policies.

1J.) McLaren's Toplis will furnish to the client a copy of each check written on the UACIM account at the time each such check is issued.

1K.) It is understood that McLarens Toplis will not perform, and UACIM will not request, performance of any services which may constitute the unauthorized practice of law.

1L.) The validity, interpretation, and performance of this Agreement shall be controlled and construed according to the internal laws of the State of Utah. The parties agree to the jurisdiction and venue of any duly authorized Court in Salt Lake City, Utah, that possesses adequate and appropriate personal and subject matter jurisdiction. This Agreement (or amendment thereto) automatically conforms to any applicable Utah law or regulation.

Section 2

Client's Obligations to McLarens Toplis Are:

2A.) Prompt referral of all claims or losses that fall within the terms of this Agreement.

2B.) Pay McLarens Toplis its service fees in conformity with the terms of this agreement.

2C.) Establishment of a Discretionary Settlement Authority in the amount of \$25,000 per claim for McLarens Toplis.

2D.) On those losses exceeding the Discretionary Settlement Authority, client agrees to respond in an expeditious manner to McLarens Toplis' request for authority.

2E.) In the event McLarens Toplis, acting at the direction of the client, incurs a claim or becomes liable to any third-party or parties, the client agrees to indemnify, defend and hold McLarens Toplis and/or its employees harmless.

Section 3

McLarens Toplis and the Client Mutually Agree as Follows:

3A.) The contract can be terminated by either McLarens Toplis or the client with or without cause and for any reason whatsoever by sixty (60) days written prior notice. Unless notice to the contrary is received by either party at least sixty (60) days prior to the expiration date set forth above, this Agreement will automatically be renewed for an additional annual period commencing on the day following the stated expiration date.

This automatic renewal provision will incorporate the same terms and conditions of this Agreement, except for those terms which shall be agreed upon with respect to McLaren's Toplis remuneration.

3B.) The client shall have the option upon termination of this contract:

1.) To self-handle to a conclusion all claims and/or losses as well as associated services pending on the date of notification of termination of this contract, such handling not to result in any expense or reduction in contract revenue to McLaren's Toplis during the remaining term of the contract.

2.) To have McLaren's Toplis handle and adjust to conclusion all run-off claims and/or losses pending on the date of termination of this contract at the previously agreed upon rate of remuneration. Moreover, the client will maintain sufficient funds for the payment of indemnity as well as all allocated expenses in connection with the run-off claims.

Section 4

McLaren's Toplis Fee:

4A.) McLaren's Toplis Service Invoices will be forwarded to client on a bi-monthly basis by mail. Client will review same and send back to McLaren's Toplis with approval signature within 30 days of the client's receipt of invoice. Should a dispute arise over McLaren's Toplis' service fees, client will notify and resolve dispute directly with McLaren's Toplis within 15 days of the client's receipt of invoice.

4B.) Remuneration:

McLaren's Toplis will handle all currently open, re-opened, and new claims for an annual fee of \$208,000 during the term of the contract.

4C.) If the client fails to pay Service Fees to McLaren's Toplis, McLaren's Toplis may suspend claim service until such payments are made. Such suspension of claim service will not take place unless the client has been given reasonable notice of its indebtedness and of McLaren's Toplis' intention to suspend service.

4D.) Client agrees that McLaren's Toplis will not be liable for any fees, fines, assessments, judgments, or penalties resulting from an

interruption or cessation of the client's claim fund where such interruption or cessation is due to the errors, omissions, or torts on the part of client or its employees or agents.

Utah Assoc. of Counties Insurance Mutual

Date

Curt HamBy

McLarens Toplis North America, Inc.

Dec. 18, 1996

Date

AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of _____, 19__, by and between UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL, a corporation ("UACIM"), and GALLAGHER RISK MANAGEMENT SERVICES a division of ARTHUR J. GALLAGHER & CO. (ILLINOIS), an Illinois corporation ("GRMS").

I. RECITALS

WHEREAS, UACIM desires to insure the general liability, crime, automobile liability and physical damage, and property risks ("Risks") of various entities affiliated with UACIM ("Members"); and

WHEREAS, GRMS is engaged in the business of advising its clients on their insurance needs and procuring insurance on behalf of its clients as an insurance broker; and

WHEREAS, GRMS desires to provide certain administrative services and required insurance brokerage services to UACIM and UACIM desires to have GRMS provide such services in accordance with the terms hereof.

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

II. TERM & TERMINATION

A. TERM

This Agreement shall be effective for an initial term of one year commencing January 1, 1997, and shall remain in full force and effect until December 31, 1997. Thereafter this Agreement shall be automatically renewed for successive one year terms until terminated as provided herein.

B. TERMINATION

Either party may terminate this Agreement, with or without cause, upon the conclusion of the initial term or the conclusion of any successive renewal term by providing thirty (30) days prior written notice. In the event either party materially breaches this Agreement at any time, this Agreement shall terminate upon the failure of the breaching party to remedy the breach within thirty (30) days of receipt of written notice of the breach.

3. Client shall pay to GRMS an additional amount for each new Member that becomes affiliated with UACIM after the effective date hereof. Client shall be advised of such additional amount in advance of the new Member's affiliation. In addition, GRMS shall receive its usual and customary brokerage commission for the services provided on behalf of Client for coverages not included in the Risks.
4. In addition to the fees provided herein, it is understood and agreed that other parties, such as excess and surplus line brokers, wholesalers, re-insurance intermediaries, underwriting managers and similar parties, some of which may be owned in whole or in part by GRMS's corporate parent, may earn and retain usual and customary commissions and fees in the course of providing insurance products to UACIM pursuant to this Agreement. Any such fees or commissions will not constitute compensation to GRMS under Section III.B.1 above. However, GRMS shall fully disclose to UACIM the amount of all fees or commissions received by GRMS and any sub broker prior to the placement of the coverage with the carrier.
5. UACIM is responsible for payment of premiums for all insurance or reinsurance placed by GRMS, on UACIM's behalf and at its request, covering the Risks of its Members.
6. If any amount due is not paid in full when due, including premium payments to insurance companies, that nonpayment shall constitute a material breach of this Agreement that shall allow GRMS to terminate this Agreement, at its option, in accordance with Section II.B.

C. Mutual Obligations

1. Ownership of Records and Documents

- a. GRMS agrees that all books, records, lists of names, journals, ledgers and other recorded information developed specifically in connection with the administration of UACIM shall always be and remain the property of UACIM.

GRMS agrees to keep all such material confidential and not to reproduce, disclose or disseminate the material or the information contained therein to third parties without the prior written consent of UACIM. Upon termination of this Agreement for any reason, GRMS shall immediately return all such material, and any copies thereof, to UACIM, without charge.

- b. All books, records and accounts maintained by GRMS on behalf of UACIM shall be available for inspection during GRMS's ordinary business

hours by any person or entity authorized by UACIM's board of Trustees at the offices of GRMS, Two Pierce Place, Itasca, Illinois.

- c. UACIM agrees that GRMS is the sole owner of the following material and that UACIM has no right to its use following termination of this Agreement:
- i. Proprietary computer programs;
 - ii. Proprietary procedures and methods of administration; and
 - iii. Underwriting applications, submissions for and correspondence between GRMS and the underwriters.

UACIM agrees to keep all such material confidential and not to reproduce, disclose or disseminate the material or the information contained therein to third parties without the prior written consent of GRMS. Upon termination of this Agreement for any reason, UACIM shall immediately return all such material, and any copies thereof, to GRMS.

2. Compensation

The annual renewal fee may be subject to renegotiation by either party giving the other written notice thereof at least ninety (90) days prior to the annual renewal date or coincident with any substantive changes in UACIM or in the services being provided to UACIM by GRMS.

3. Employees of GRMS

To the extent permitted by law, UACIM agrees that during the term of this Agreement and for a period of one year following the date of the termination of this Agreement, it will not utilize the services of any individual who was an employee of GRMS and was materially involved with the UACIM account during the term of this Agreement, or any renewal, to perform services for UACIM similar to those services provided by GRMS under this Agreement. This limitation shall not apply to such an individual who has not been an employee of GRMS for at least one year.

4. Post-Termination Covenants

GRMS agrees that, during the term of this Agreement and for a period of two years after termination of this Agreement, it will not provide or offer to provide insurance brokerage services to any then current Member. The foregoing covenant

shall not act to preclude GRMS from offering insurance services: (i) as required of GRMS hereunder; (ii) to Members or prospective Members with respect to insurance coverages not similar to those provided through Client at any time during the term hereof or during the two year period thereafter; or (iii) with the written consent of UACIM.

5. Limitation of Obligations

It is understood and agreed that GRMS does not have discretionary authority or discretionary controls respecting management of UACIM or its Members funds, does not exercise any authority or control respecting management or disposition of the assets of the UACIM or its Members and does not render investment advice with respect to any money or other property of the UACIM or its Members and has no authority or responsibility to do so. The sole function of GRMS is to provide the services described herein, and GRMS shall have absolutely no financial responsibility or other liability for any payment to UACIM or its Members, payment of claims, benefits or premiums for insurance placed on behalf of UACIM or its Members or to fund any self-insured retention fund.

6. Indemnification and Insurance

GRMS agrees to indemnify, defend and hold harmless UACIM and its officers, trustees, and employees from any and all type of suit, claim, action, loss, damage, liability and expense, including attorney's fees arising from any act, error, omission or misrepresentation of GRMS or its employees, agents or servants regarding the subject matter of this Agreement, except that in the event of any final judgment of a court (on which an appeal is not made) against UACIM which holds that UACIM has been independently negligent or contributorily negligent in its actions, then GRMS shall not be required to indemnify UACIM for any portion of said judgment which pertains solely to UACIM's independent negligence or contributory negligence.

UACIM agrees to indemnify, defend and hold harmless GRMS and its officers, trustees, and employees from any and all type of suit, claim, action, loss, damage, liability and expense, including attorney's fees arising from any act, error, omission or misrepresentation of UACIM or its employees, agents or servants regarding the subject matter of this Agreement, except that in the event of any final judgment of a court (on which an appeal is not made) against GRMS which holds that GRMS has been independently negligent or contributorily negligent in its actions, then UACIM shall not be required to indemnify GRMS for any portion of said judgment which pertains solely to GRMS's independent negligence or contributory negligence.

GRMS will maintain Workers Compensation insurance to statutory limits and General Liability, Auto Liability, and Errors and Omissions Liability Insurance, each with limits of at least \$2 million, or such additional amounts as may be required by the Utah Commissioner of Insurance, throughout the term of this Agreement. GRMS will provide evidence of insurance upon request.

7. Waiver of Nonperformance

No waiver of any default in performance on the part of GRMS or like waiver by UACIM, or any breach or a series of breaches of any of the terms, covenants or conditions of this Agreement shall constitute a waiver of any subsequent breach or a waiver of said terms, covenants or conditions. Resort to any remedies referred to herein shall not be construed as a waiver of any other rights and remedies to which either party is entitled under this Agreement or otherwise.

8. Partial Invalidity

Should any part of this Agreement, for any reason, be declared invalid by a court of competent jurisdiction, the remaining portion shall remain in full force and effect as if this Agreement had been executed without the invalid portion.

9. Governing Law

The validity, interpretation and performance of this Agreement shall be controlled and construed according to the internal laws of the State of Utah. The parties agree to the jurisdiction and venue of any duly authorized Court in Salt Lake City, Utah that possesses adequate and appropriate personal and subject matter jurisdiction.

This Agreement (or amendment thereto) automatically conforms to any applicable Utah law or regulation.

10. Entire Agreement; Modification or Amendment

This Agreement and the Exhibit hereto represent the entire and exclusive statement of the agreement of the parties and may be modified or amended only by a written statement signed by both parties. Such modification or amendment shall be attached to, and shall thereupon become a part of this Agreement.

11. Headings

Headings herein are for convenience of reference only and shall not be considered in any interpretation of this Agreement.

12. Practice of Law

It is understood and agreed that GRMS will not perform, and UACIM will not request performance of, any services which may constitute the unauthorized practice of law.

13. Remedies Not Exclusive

No remedy conferred hereunder is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

14. Assigns and Subcontracting

This Agreement is personal to each of the parties and no party may assign or delegate that party's rights or obligations under this Agreement without first obtaining the express written consent of the other party. This Agreement shall be binding upon and shall inure to the benefit of all assigns, transferees and successors in the interest of the parties hereto. UACIM hereby gives its written consent to GRMS to sub-contract (i) to Gallagher Bassett Services, Inc., the services described in paragraph III.A.3. of this Agreement and (ii) to Arthur J. Gallagher & Co. Insurance Brokers of California, Inc., some of the services described in Exhibit A of this Agreement. No such sub-contract will relieve GRMS of its servicing obligations to UACIM pursuant to this Agreement, nor shall such sub-contract agreements create any liability or obligation of UACIM to the sub-contractor. Any sub-contractor shall perform its services consistent with this Agreement.

D. Relationship of the Parties

It is understood and agreed that GRMS is engaged to perform services under this Agreement as an independent contractor. The parties agree that neither party has any relationship with or contractual liability to the other with respect to the subject matter of this Agreement other than as set forth herein.

E. Notices

All notices as provided herein shall be in writing, and shall be sent certified mail, postage prepaid, with return receipt requested to the following address or to such other address as either party may hereafter furnish:

UACIM: Brent Gardner
Utah Association of Counties
4021 South Seventh East, Suite 180
Salt Lake City, Utah 84107

GRMS: Arthur J. Gallagher & Co.
Two Pierce Place
Itasca, Illinois 60143-3141
Attn: Corporate Counsel

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first written above.

**UTAH ASSOCIATION OF COUNTIES
INSURANCE MUTUAL**

By: _____

**ARTHUR J. GALLAGHER & CO. (ILLINOIS)
GALLAGHER RISK MANAGEMENT SERVICES DIVISION**

By: _____

UACIM

DIRECTORS & OFFICERS LIABILITY PROFESSIONAL LIABILITY COMBINED PROGRAM

- ◆ Limit of Liability: \$1,000,000 (Includes Defense)

- SIR
 - A. E&O \$20,000 Per Claim
 - B. D&O \$ 0 Per Claim Each Director/Officer
 - \$ 0 Per Claim Aggregate All Directors/Officers
 - \$20,000 Per Claim of Organizational Reimbursement

- ◆ Insurance Percentage: 100% of Loss XS of SIR

- ◆ Retroactive Date: Date of Incorporation

- ◆ Named Insureds: Utah Association of Counties
Utah Association of Counties Insurance Mutual

- ◆ Extensions: Spousal
Blanket Non-Profit
Employees as Co-Defendants
Tie In Limits

- ◆ Exclusions: Nuclear
Securities
SEC

- ◆ Annual Premium: \$6,000

